

Message Text

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ACTION EB-07

INFO OCT-01 AF-10 ARA-06 EUR-12 EA-07 IO-13 ISO-00
SSO-00 NSCE-00 INRE-00 L-03 FRB-03 OMB-01 ITC-01
SP-02 AGRE-00 AID-05 CIAE-00 COME-00 INR-07
LAB-04 NSAE-00 OIC-02 EPG-02 SIL-01 STR-04
TRSE-00 CEA-01 SS-15 NSC-05 NEA-10 /122 W
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O R 191230Z MAY 77
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 7515
INFO AMEMBASSY BRASILIA
AMEMBASSY BUENOS AIRES
AMEMBASSY CANBERRA
AMEMBASSY DURBAN
AMEMBASSY JOHANNESBURG
AMEMBASSY MANILA
AMEMBASSY OTTAWA
AMEMBASSY SANTO DOMINGO
AMEMBASSY TOKYO
USMISSION USUN NEW YORK

C O N F I D E N T I A L GENEVA 3930

E.O. 11652: GDS
TAGS: UNCTAD, ETRD
SUBJ: SUGAR NEGOTIATIONS: MEETING OF INFORMAL GROUP OF MAJOR
IMPORTERS AND EXPORTERS

1. SUMMARY: ON AFTERNOON OF MAY 18 INFORMAL GROUP OF MAJOR
IMPORTERS (US, CANADA AND JAPAN) AND MAJOR EXPORTERS
(AUSTRALIA, BRAZIL, CUBA, DOMINICAN REPUBLIC, ARGENTINA,
AND NEW PARTICIPANTS SOUTH AFRICA AND PHILIPPINES) MET
AT REQUEST OF EXPORTER SPOKESMAN (RAFFAELLI/BRAZIL).
EXPORTERS WISHED TO OBTAIN INFORMATION RELATIVE TO IMPORTERS,
ESPECIALLY US, POSITION ON VARIOUS BASIC ISSUES. US DEL
(O'DONNELL) FULLY EXPLAINED USG POSITION ON MAIN ISSUES
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(QUOTAS, FREE ZONE WITHIN PRICE RANGE AND STOCK LEVELS).
CANADA AND JAPAN WERE SUPPORTATIVE. EXPORTERS WERE
COMPLETELY ENTRENCHED ON THEIR POINTS, AND GAVE NO OUTWARD
INDICATION OF UNDERSTANDING US VIEWS, MUCH LESS ACCEPTING

THEM. MEETING ENDED WITH EXPORTERS REQUESTING THAT IMPORTERS PROPOSE ANOTHER COUNTER-PROPOSAL; THIS REQUEST WILL BE DISCUSSED BY US, CANADA AND JAPAN REPS ON MORNING OF MAY 19. MEETING WAS NOT CONSTRUCTIVE. END SUMMARY.

2. AT BEGINNING OF MEETING US DEL OUTLINED THREE MAIN "BREAK POINTS", FOR US PARTICIPATION IN NEW ISA: (A) EXPORT QUOTAS ARRIVED AT REALISTICALLY, SUBJECT TO MEANINGFUL CUTS TO PROTECT THE FLOOR PRICE, AND ADJUSTED PERIODICALLY; (B) A "FREE ZONE" WITHIN THE PRICE RANGE OF AT LEAST FOUR CENTS; AND (C) A SUFFICIENT LEVEL OF STOCKS WHICH ARE SUBJECT TO VERIFICATION. CANADA (EASTHAM) AND JAPAN (MIZOGUCHI) STATED THEY SUPPORTED US POSITION ENTIRELY. (IN SUBSEQUENT INTERVENTION, MIZOGUCHI SUBTLY INDICATED THAT GOJ WOULD BE WILL TO DROP SUPPLY COMMITMENT REQUIREMENT IN RETURN FOR STOCKING LEVELS ABOVE THOSE IN 1968 AGREEMENT; EXPORTERS DID NOT RESPOND TO THIS POINT.)

3. EXPORTERS CONCENTRATED ON STOCKING POINT (4 MILLION TONS) IN IMPORTER COMPROMISE PAPER. THEY STATED THAT THIS REPRESENTED NEARLY 30 PERCENT OF EXPECTED FREE MARKET EXPORT LEVELS IN NEXT FEW YEARS, AND THIS WAS TOO GREAT A BURDEN FOR THEM TO CARRY. THEY PUT FORTH IDEA THAT VOLUNTARY STOCKING OF A PORTION OF THE TOTAL (WITH EXPORTERS RESPONSIBLE FOR "MINIMUM STOCKS" AS IN 1968 AGREEMENT) MIGHT BE SOLUTION. US, AND TO A LESSER EXTEND CANADA AND JAPAN, SAID THIS APPROACH WAS UNACCEPTABLE. WHEN QUESTIONED DIRECTLY AS TO WHAT LEVEL OF STOCKS MIGHT BE "REASONABLE", EXPORTERS (RAFFAELLI AND BARNES/SOUTH AFRICA) STATED 10 PERCENT. CONFIDENTIAL

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US DEL RESPONDED THAT 10 PERCENT MAY BE CONSIDERED "REASONABLE" BUT IT WAS NOT "NEGOTIABLE".

4. ATTEMPTS TO MOVE DISCUSSION TO OTHER AREAS OF DISAGREEMENT WERE GENERALLY UNSUCCESSFUL. AT END OF MEETING DAUSTER (BRAZIL) SUGGESTED THAT IMPORTERS SHOULD PROPOSE A COUNTER-OFFER AS A MEANS OF SOLVING DIFFERENCES ON KEY ISSUES; NO COMMITMENT WAS MADE ON THIS POINT. MAJOR IMPORTERS SCHEDULED TO MEET MORNING OF MAY 19 TO DISCUSS NEXT MOVE.

5. COMMENT: THERE IS, AT LEAST ON THE SURFACE, COMPLETE DIVERGENCE BETWEEN IMPORTER AND EXPORTER VIEWS ON THE PURPOSE OF NEW ISA. IMPORTERS BELIEVE THAT "MACHINERY" (QUOTAS AND STOCKS) SHOULD BE UTILIZED TO KEEP PRICE WITHIN THE BOUNDS OF THE ENTIRE PRICE RANGE, WHILE EXPORTERS HOLD TO THE VIEW THAT QUOTAS SHOULD BE UTILIZED FOR MAINTAINING PRICE SOMEWHERE AROUND THE MIDDLE OF THE RANGE -- AT LEAST. FURTHER, EXPORTERS WILL PROVIDE A MINIMUM LEVEL OF STOCKS AT THEIR OWN EXPENSE, BUT THEY ARE PRESENTING THIS AS A

MAJOR CONCESSION TO CONSUMERS. (1968 ISA HAD PROVISION FOR
10 PERCENT MINIMUM STOCKS FOR LDSS AND 15 PERCENT
FOR DEVELOPED EXPORTERS (E.G. AUSTRALIA, SOUTH AFRICA).
MAY 18 MEETING ONLY HIGHLIGHTED THE DIVERGENCE OF THINKING;
NO NEW GROUND WAS BROKEN.SORENSEN

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